

PERAC AUDIT REPORT



Attleboro Contributory Retirement System

JAN. 1, 2002 - DEC. 31, 2004 / PERAC 04: 11-018-21



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

DOMENIC J. F. RUSSO, *Chairman* | A. JOSEPH DeNUCCI, *Vice Chairman*
KENNETH J. DONNELLY | JAMES M. MACHADO | DONALD R. MARQUIS | THOMAS TRIMARCO

JOSEPH E. CONNARTON, *Executive Director*

July 6, 2006

The Public Employee Retirement Administration Commission has completed an examination of the Attleboro Retirement System pursuant to G.L. c. 32, s. 21. The examination covered the period from January 1, 2002 to December 31, 2004. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiner Martin J. Feeney who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



Attleboro Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

1. Minutes:

- a. Executive Session minutes are not in a bound folder.
- b. Trial balances and bank reconciliations are not approved at monthly Board meetings.

Recommendation:

- a. Executive Session minutes should be placed in a bound folder to prevent any pages from being removed, manipulated, or lost.
- b. The Board should review monthly trial balances and bank reconciliations at Board meetings to ensure that the trial balances are correct and that bank reconciliations are being completed on a monthly basis.

Board Response:

- a. The Executive Session minutes are in the process of being bound.
- b. Trial balances and reconciliations are being submitted and reviewed at the monthly meeting.

2. Cash:

The outstanding check list does not contain the dates the checks were written. As a result there are two checks that appear on one account that are over six months old.

Recommendation:

The Executive Director should investigate the outstanding checks to determine if they should be voided. The Executive Director should request that the Treasurer include the date of the check. Any check with an outstanding date over six months old should be investigated to determine if it should be voided and returned to the System.

Board Response:

The Treasurer's office has begun to put the dates of the outstanding checks on the outstanding check list. Investigation into checks over six months old has been conducted.

3. Investment Contracts:

Two of the Board's current investment contracts had expired. There is no record of a signed extension in the files.

Recommendation:

The Board should review these contracts to determine if the contracts are to be extended. If the contracts are to be extended, then the proper documentation should be executed and placed in the individual contract file.

Attleboro Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONT'D)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

Board Response:

The Board's legal counsel is in the process of reviewing and updating the investment contracts in question.

Final determination

PERAC audit staff will follow-up in six (6) months to ensure appropriate action have been taken regarding all audit findings.

Attleboro Retirement System

STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2002
AND ENDING DECEMBER 31, 2004**

FOR THE PERIOD ENDING DECEMBER 31,			
ASSETS	2004	2003	2002
Cash	\$5,992,270	\$6,331,273	\$8,258,748
Short Term Investments	0	0	0
Fixed Income Securities (at book value)	17,180,110	17,546,000	19,294,687
Equities	30,127,058	24,972,236	17,103,692
Pooled Short Term Funds	0	0	0
Pooled Domestic Equity Funds	6,473,889	5,842,814	3,519,465
Pooled International Equity Funds	7,387,803	6,326,281	2,188,774
Pooled Global Equity Funds	0	0	0
Pooled Domestic Fixed Income Funds	0	0	0
Pooled International Fixed Income Funds	0	0	0
Pooled Global Fixed Income Funds	0	0	0
Pooled Alternative Investment Funds	0	0	0
Pooled Real Estate Funds	4,254,593	3,081,033	1,535,219
Pooled Domestic Balanced Funds	0	0	0
Pooled International Balanced Funds	0	0	0
PRIT Cash Fund	0	0	0
PRIT Core Fund	0	0	0
Interest Due and Accrued	177,690	149,808	225,306
Accounts Receivable	2,295,264	1,957,020	1,789,456
Accounts Payable	0	(177,741)	(93,948)
TOTAL	<u>\$73,888,677</u>	<u>\$66,028,724</u>	<u>\$53,821,399</u>
FUND BALANCES			
Annuity Savings Fund	\$17,537,614	\$16,477,198	\$17,637,450
Annuity Reserve Fund	6,236,997	6,154,752	3,581,718
Pension Fund	9,634,540	10,946,934	10,947,149
Military Service Fund	13,847	0	0
Expense Fund	0	0	0
Pension Reserve Fund	40,465,679	32,449,840	21,655,082
TOTAL	<u>\$73,888,677</u>	<u>\$66,028,724</u>	<u>\$53,821,399</u>

Attleboro Retirement System

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2002
AND ENDING DECEMBER 31, 2004**

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2002)	\$16,438,290	\$3,323,839	\$10,428,013	\$0	\$0	\$25,116,172	\$55,306,314
Receipts	2,093,302	96,876	4,695,185	0	380,106	(3,482,020)	3,783,449
Interfund Transfers	(710,013)	689,396	(314)	0	0	20,931	0
Disbursements	(184,129)	(528,393)	(4,175,736)	0	(380,106)	0	(5,268,364)
Ending Balance (2002)	17,637,450	3,581,718	10,947,148	0	0	21,655,083	53,821,399
Receipts	2,068,875	112,545	4,670,050	0	383,705	10,794,764	18,029,939
Interfund Transfers	(3,039,501)	3,039,508	0	0	0	(7)	0
Disbursements	(189,625)	(579,019)	(4,670,265)	0	(383,705)	0	(5,822,614)
Ending Balance (2003)	16,477,199	6,154,752	10,946,933	0	0	32,449,840	66,028,724
Receipts	2,052,047	183,960	4,540,606	13,847	469,215	8,032,602	15,292,277
Interfund Transfers	(690,947)	707,709	0	0	0	(16,763)	(1)
Disbursements	(300,686)	(809,424)	(5,852,999)	0	(469,215)	0	(7,432,324)
Ending Balance (2004)	<u>\$17,537,613</u>	<u>\$6,236,997</u>	<u>\$9,634,540</u>	<u>\$13,847</u>	<u>\$0</u>	<u>\$40,465,679</u>	<u>\$73,888,676</u>

Attleboro Retirement System

STATEMENT OF INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2002
AND ENDING DECEMBER 31, 2004**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2004	2003	2002
Annuity Savings Fund:			
Members Deductions	\$1,833,311	\$1,821,917	\$1,756,583
Transfers from other Systems	100,804	25,096	48,876
Member Make Up Payments and Redeposits	22,661	52,148	62,180
Investment Income Credited to Member Accounts	95,271	169,714	225,664
Sub Total	<u>2,052,047</u>	<u>2,068,875</u>	<u>2,093,303</u>
Annuity Reserve Fund:			
Investment Income Credited Annuity Reserve Fund	183,960	112,545	96,876
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	44,645	37,992	37,992
Received from Commonwealth for COLA and Survivor Benefits	179,164	378,091	545,125
Pension Fund Appropriation	<u>4,316,797</u>	<u>4,253,967</u>	<u>4,112,067</u>
Sub Total	<u>4,540,606</u>	<u>4,670,050</u>	<u>4,695,184</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	13,765	0	0
Investment Income Credited Military Service Fund	<u>82</u>	<u>0</u>	<u>0</u>
Sub Total	<u>13,847</u>	<u>0</u>	<u>0</u>
Expense Fund:			
Expense Fund Appropriation	0	0	3,445
Investment Income Credited to Expense Fund	<u>469,215</u>	<u>383,705</u>	<u>376,661</u>
Sub Total	<u>469,215</u>	<u>383,705</u>	<u>380,106</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	38,694	1,511	16,190
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	3,814	2,925	4,404
Excess Investment Income	<u>7,990,094</u>	<u>10,790,328</u>	<u>(3,502,614)</u>
Sub Total	<u>8,032,602</u>	<u>10,794,764</u>	<u>(3,482,020)</u>
TOTAL RECEIPTS	<u>\$15,292,277</u>	<u>\$18,029,939</u>	<u>\$3,783,449</u>

Attleboro Retirement System

STATEMENT OF DISBURSEMENTS

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2002
AND ENDING DECEMBER 31, 2004**

FOR THE PERIOD ENDING DECEMBER 31,			
Annuity Savings Fund:	2004	2003	2002
Refunds to Members	\$173,658	\$143,169	\$161,296
Transfers to other Systems	<u>127,027</u>	<u>46,456</u>	<u>22,833</u>
Sub Total	<u>300,685</u>	<u>189,625</u>	<u>184,129</u>
Annuity Reserve Fund:			
Annuities Paid	764,183	576,414	501,634
Option B Refunds	<u>45,241</u>	<u>2,605</u>	<u>26,759</u>
Sub Total	<u>809,424</u>	<u>579,019</u>	<u>528,393</u>
Pension Fund:			
Pensions Paid			
Regular Pension Payments	4,299,484	3,169,057	2,740,591
Survivorship Payments	183,527	141,916	141,323
Ordinary Disability Payments	73,320	68,366	73,072
Accidental Disability Payments	820,844	822,671	770,725
Accidental Death Payments	375,478	370,601	352,903
Section 101 Benefits	70,021	67,992	66,141
3 (8) (c) Reimbursements to Other Systems	30,326	29,662	30,981
State Reimbursable COLA's Paid	0	0	0
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>5,853,000</u>	<u>4,670,265</u>	<u>4,175,736</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:			
Board Member Stipend	15,000	15,000	15,000
Salaries	76,559	73,661	71,759
Legal Expenses	15,724	16,844	15,916
Fiduciary Insurance	5,332	4,095	0
Travel Expenses	1,596	2,677	1,270
Administrative Expenses	11,453	10,069	20,579
Furniture and Equipment	783	0	0
Management Fees	263,993	206,317	195,441
Custodial Fees	26,631	22,854	22,641
Consultant Fees	<u>52,144</u>	<u>32,188</u>	<u>37,500</u>
Sub Total	<u>469,215</u>	<u>383,705</u>	<u>380,106</u>
TOTAL DISBURSEMENTS	<u>\$7,432,324</u>	<u>\$5,822,614</u>	<u>\$5,268,364</u>

Attleboro Retirement System

INVESTMENT INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2002
AND ENDING DECEMBER 31, 2004**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2004	2003	2002
Investment Income Received From:			
Cash	\$45,086	\$76,565	\$131,925
Short Term Investments	1,237	324	0
Fixed Income	1,173,814	1,176,316	1,372,642
Equities	225,027	126,772	146,564
Pooled or Mutual Funds	<u>0</u>	<u>0</u>	<u>0</u>
Commission Recapture	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL INVESTMENT INCOME	<u>1,445,164</u>	<u>1,379,977</u>	<u>1,651,131</u>
Plus:			
Increase in Amortization of Fixed Income Securities			
Realized Gains	611,292	1,140,379	702,844
Unrealized Gains	9,717,181	10,448,561	2,821,258
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>177,690</u>	<u>149,807</u>	<u>225,305</u>
Sub Total	<u>10,506,163</u>	<u>11,738,747</u>	<u>3,749,407</u>
Less:			
Decrease in Amortization of Fixed Income Securities			
Paid Accrued Interest on Fixed Income Securities	(312,098)	(206,560)	(315,445)
Realized Loss	(962,986)	(668,843)	(2,080,440)
Unrealized Loss	(1,787,814)	(561,723)	(5,599,761)
Custodial Fees Paid	0	0	0
Consultant Fees Paid	0	0	0
Management Fees Paid	0	0	0
Board Member Stipend	0	0	0
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>(149,807)</u>	<u>(225,306)</u>	<u>(208,306)</u>
Sub Total	<u>(3,212,705)</u>	<u>(1,662,432)</u>	<u>(8,203,952)</u>
NET INVESTMENT INCOME	<u>8,738,622</u>	<u>11,456,292</u>	<u>(2,803,414)</u>
Income Required:			
Annuity Savings Fund	95,270	169,715	225,664
Annuity Reserve Fund	183,960	112,545	96,876
Military Service Fund	83	0	0
Expense Fund	<u>469,215</u>	<u>383,705</u>	<u>376,661</u>
TOTAL INCOME REQUIRED	<u>748,528</u>	<u>665,965</u>	<u>699,201</u>
Net Investment Income	<u>8,738,622</u>	<u>11,456,292</u>	<u>(2,803,414)</u>
Less: Total Income Required	<u>748,528</u>	<u>665,965</u>	<u>699,201</u>
EXCESS INCOME TO THE PENSION RESERVE FUND	<u>\$7,990,094</u>	<u>\$10,790,327</u>	<u>(\$3,502,615)</u>

Attleboro Retirement System

STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED*
Cash	\$5,992,270	8.39%	
Short Term	0	0.00%	
Fixed Income	17,180,110	24.06%	
Equities	30,127,058	42.19%	
Pooled Short Term Funds	0	0.00%	
Pooled Domestic Equity Funds	6,473,889	9.07%	
Pooled International Equity Funds	7,387,803	10.34%	
Pooled Global Equity Funds	0	0.00%	
Pooled Domestic Fixed Income Funds	0	0.00%	
Pooled International Fixed Income Funds	0	0.00%	
Pooled Global Fixed Income Funds	0	0.00%	
Pooled Alternative Investment Funds	0	0.00%	5
Pooled Real Estate Funds	4,254,593	5.96%	10
Pooled Domestic Balanced Funds	0	0.00%	
Pooled International Balanced Funds	0	0.00%	
PRIT Cash Fund	0	0.00%	
PRIT Core Fund		<u>0.00%</u>	
GRAND TOTALS	<u>\$71,415,723</u>	<u>100.00%</u>	

For the year ending December 31, 2004, the rate of return for the investments of the Retirement System was 13.83%. For the five-year period ending December 31, 2004, the rate of return for the investments of the Retirement System averaged 5.98%. For the twenty-year period ending December 31, 2004 since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the Retirement System was 10.18%.

Attleboro Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

The Attleboro Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

December 22, 1988

20.07(9) Real estate investments shall not exceed 1% of the total book value of the portfolio at the time of purchase and shall consist of real estate trusts and limited partnerships, provided that: trust participants or limited partners do not participate in the selection of trustees or general partners and should a limited partner be required to participate in the selection of a general partner, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action, and such trustees or general partners retain authority in the decision making process, and should an investment in a trust or limited partnership result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture of said trust or limited partnership is prudent.

August 28, 1989

20.07(9) Real estate investments shall not total more than \$200,000 at the time of purchase and shall consist of real estate trusts and partnerships, provided that: trust participants or limited partners do not participate in the selection of trustees or general partners and should a trust participant or limited partner be required to participate in the selection of a trustee of general partner, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action, and such trustees or general partners retain authority in the decision making process, and should an investment in a trust or limited partnership result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture of said trust or limited partnership is prudent.

October 5, 1989

20.06(8) Sales of fixed income investments with maturities exceeding one year shall not exceed 200% of the market value of all fixed income obligations in any twelve-month period, excluding cash and short term obligations.

20.07(6) Sales of equity investments shall not exceed 200% of the average market value of all equity holdings in any twelve-month period.

February 21, 1992

4.03 Copies to be sent to PERA

Within four (4) weeks of the close of each month, after all entries for the month have been posted and a trial balance performed, the board shall send to the Public Employee Retirement Administration a photocopy the following for the month:

cash book entries;

trial balance; and

journal entries

Attleboro Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2004

SUPPLEMENTARY INVESTMENT REGULATIONS - (Cont'd.)

April 21, 1992

20.03(1) Equity investments shall not exceed 50% of total book value of the portfolio at the time of the purchase.

20.06(8) Purchases and sales of fixed income investments with maturities exceeding one year shall not exceed 200% of the market value of all fixed income obligations in any twelve-month period, excluding cash and short term obligations.

20.07(6) Purchases and sales of equity investments shall not exceed 100% of the average market value of all equity holdings in any twelve-month period.

20.04(6) Equities of non-United States based companies provided such securities are denominated in United States currency, Are listed on a United States exchange or traded over the counter in the United States and provided further that the total of such securities not exceed 10% of the market value of the portfolio

December 21, 1995

20.03(2) At least 40% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year including Yankee Bonds and Eurobonds which shall be limited to 12% of the total fixed income portfolio valued at market.

May 30, 1996

20.03(1) Equity investments shall not exceed 50% of the portfolio valued at market, including international equities which shall not exceed 10% of the portfolio valued at market.

20.04(1) United States based corporations and equities of foreign corporations.

May 30, 1996 (continued)

20.07(5) Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States, or listed and traded on a foreign exchange.

January 29, 1997

20.03(1) Equity investments shall not exceed 60% of the portfolio valued at market, including international equities which shall not exceed 10% of the portfolio valued at market.

20.04(6) American Depositary Receipts denominated in U.S. currency and listed on a United States stock exchange or traded over the counter in the United States, provided that the total of all such investments shall be considered part of the board's equity asset allocation and shall not exceed 5% of the total market value of the portfolio.

Attleboro Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2004

SUPPLEMENTARY INVESTMENT REGULATIONS - (Cont'd.)

20.07(9) Commingled real estate shall not exceed 5% of the total book value of the portfolio at the time of purchase provided that:
the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action;
such personnel retain authority in the decision making process, and
should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

October 16, 1997

20.03(2) At least 40% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year, including Yankee Bonds which shall be limited to 15% of the total fixed income portfolio valued at market.

20.06(10) Private Placement securities falling under the governance of Rule 144A may be purchased up to 5% of the market value of the fixed income portfolio at the time of purchase. These Rule 144A Private Placements shall be considered to be corporate bonds and, as such, governed by guideline constraints, with respect to credit and concentration limits, similar to those that apply to corporate bonds in general

May 15, 2002

In response to PERAC Memo #44/1999 the board has rescinded all prior self imposed restrictions on the percentages of holdings in specific asset classes.

April 10, 2001

16.08 Having been informed by Smith Barney, their international equity manager, that the collective trust in which the Board was invested would be terminated and liquidated on short notice, the Attleboro Retirement Board determined that the State Street Global Advisors' international equity index fund is the most cost-effective and efficient way to maintain the system's asset allocation on a temporary basis. The Board is authorized to invest in the SSGA Fund for up to four months, ending August 2, 2001, pending the completion of a search process for a permanent replacement manager.

Attleboro Retirement System

NOTES TO FINANCIAL STATEMENTS

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2004

NOTE 1 - THE SYSTEM

The plan is a contributory defined benefit plan covering all **Error! Reference source not found.** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1936, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

Attleboro Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2004

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

Attleboro Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2004

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

Attleboro Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2004

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Attleboro Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

November 18, 1985

Permanent Part-Time Employees

An employee who is employed at least (20) hours per week on a permanent basis shall become a member of the system.

Temporary or Provisional Employees

Once an employee has completed six (6) months of service, he/she shall join the system. Provisional police and firefighters shall become members upon employment.

CETA Employees

Shall become members of the system if they later become employed by the city. They will be allowed to make payment toward creditable service for the time worked under CETA.

Contractual Employees

Any person hired on a contractual basis shall not be eligible to become a member of the system.

Non-Compensated Appointed Official

Boards and Commission, etc., are not eligible for membership in the retirement system.

City Solicitor and Assistant City Solicitor

Shall receive one (1) year of creditable service for every two (2) years of service rendered in such capacity.

School Physicians and Assistant School Physicians

Shall receive one (1) year of creditable service for every two (2) years of service rendered in such capacity.

School Dentist and Assistant School Dentist

Shall receive one (1) year of creditable service for every two (2) years of service rendered in such capacity.

Health Officer

Shall receive one (1) year of creditable service for every two (2) years of service rendered in such capacity.

Board Members and Commissions Who receive compensation and wish to join the system shall be credited with one (1) year of creditable service for every three (3) years of service rendered in such capacity.

Attleboro Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2004

NOTE 3 -SUPPLEMENTARY MEMBERSHIP REGULATIONS - (Cont'd.)

November 18, 1985 (Continued)

Credit for Part-Time Employees

Credit for part-time, provisional, temporary provisional, seasonal or intermittent employment and/or service shall be computed to credit the member for that portion of a normal year which the number of days actually worked during that year bears to the normal working year for the department under which the employee serves.

Credit for Part-Time Salaried Employees

Will be pro-rated on the basis of the proportion which the actual salary received bears to what salary would be for the same position if it were full time.

April 12, 1988

City Solicitor and Assistant City Solicitor

Shall receive one (1) year of creditable service for every two (2) years of service rendered in such capacity. If employed in a full time capacity, the person shall receive a full year of creditable service for each year employed as full time.

School Physicians and Assistant School Physicians

Shall receive one (1) year of creditable service for every two (2) years of service rendered in such capacity. If employed on a full time capacity, the person shall receive a full year of creditable service for each year employed as full time.

School Dentist and Assistant School Dentist

Shall receive one (1) year of creditable service for every two (2) years of service rendered in such capacity. If employed in a full time capacity, the person shall receive a full year of creditable service for each year employed as full time.

Health Officer

Shall receive one (1) year of creditable service for every (2) years of service rendered in that position. If employed in a full time capacity, the person shall receive a full year of creditable service for each year employed as full time.

April 7, 1999

Permanent Part-time Employees

An employee who is employed at least twenty (20) hours per week on a permanent basis, shall become a member of the system.

Attleboro Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2004

NOTE 3 -SUPPLEMENTARY MEMBERSHIP REGULATIONS - (Cont'd.)

Temporary or Provisional Employees

Shall become members* of the system upon the date of employment if they work twenty (20) hours or more. If at the end of their probationary period they are terminated, their deductions shall be refunded upon request. *Membership begins on the date that regular compensation commences for the position which you are employed.

Credit for Part-time Employees

Credit for part-time, seasonal or intermittent employment and/or service shall be computed to credit the member for that proportion of a normal year which the number of days actually worked during that year bears to the normal working year for the department under which the employee serves. The ratio of creditable service will be determined at the time of buyback calculating the percentage from the hours being worked in relationship to the hours worked during the period of service to be purchased.

Transfers In

The Attleboro Retirement System will not accept a transfer from another system on behalf of an employee who does not meet the minimum requirement of twenty (20) hours per week for membership. Once the employee becomes eligible to be a member of the Attleboro system, a transfer from another system will be accepted and the employee will be credited with the transferred service.

Full-time Employees Who Become Part-time Employees

An employee who is employed full-time and later becomes part-time will continue membership in the system even if the part-time hours worked fall below the minimum requirement of twenty (20) hours per week. Credit for part-time service will be pro-rated by taking the actual number of hours worked and dividing by the number of hours which constitute full-time status for the position held.

Attleboro Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five person Board of Retirement consisting of the City Auditor who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four Board members.

Ex officio Member:	Deborah C. Gould		
Appointed Member:	Richard V. Boucher	Term Expires:	2/6/06
Elected Member:	Vivian I. Dugas	Term Expires:	12/31/05
Elected Member:	Gary S. Sagar	Term Expires:	12/31/07
Appointed Member:	James M. Castro	Term Expires:	2/1/08

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board. The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	\$40,000,00 Fiduciary Liability
Ex officio Member:)	Travelers(\$10M Primary)
Elected Member:)	Federal Insurance Co. (\$10M Excess of Primary)
Appointed Member:)	Executive Risk Indemnity (\$10M Excess of (20M)
Staff Employee:)	\$1,000,000 Commercial Crime-Employee Dishonesty

Attleboro Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by **John Hancock** as of **January 1, 2004**.

The actuarial liability for active members was	\$45,461,073
The actuarial liability for vested terminated members was	\$921,977
The actuarial liability for non-vested terminated members was	\$310,003
The actuarial liability for retired members was	58,647,413
The total actuarial liability was	105,340,466
System assets as of that date were	66,028,724
The unfunded actuarial liability was	<u>\$39,311,742</u>
The ratio of system's assets to total actuarial liability was	62.7%
As of that date the total covered employee payroll was	\$21,799,607

The normal cost for employees on that date was	8.4% of payroll
The normal cost for the employer was	5.6% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return:	8.0% per annum
Rate of Salary Increase:	group and service based

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2004

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2004	\$ 66,028,724	\$ 105,340,466	\$ 39,311,742	62.7%	\$ 21,799,607	180.3%
1/1/2001	\$ 55,187,055	\$ 84,885,226	\$ 29,698,171	65.0%	\$ 20,608,634	144.1%
1/1/1998	\$ 40,837,836	\$ 69,407,224	\$ 28,569,388	58.8%	\$ 16,441,243	173.8%

Attleboro Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

NOTE 6 - MEMBERSHIP EXHIBIT

Retirement in Past Years	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Superannuation	4	5	13	15	6	14	12	9	59	11
Ordinary Disability	0	1	0	0	0	0	0	1	0	1
Accidental Disability	1	1	0	0	1	1	0	1	0	0
Total Retirements	5	7	13	15	7	15	12	11	59	12
Total Retirees, Beneficiaries and Survivors	359	356	370	376	375	376	375	379	426	421
Total Active Members	555	559	711	678	734	732	749	691	681	688
Pension Payments										
Superannuation	\$2,269,371	\$2,069,004	\$2,168,417	\$2,293,106	\$2,325,396	\$2,486,918	\$2,623,633	\$2,740,590	\$3,169,057	\$4,299,484
Survivor/Beneficiary Payments	121,231	126,826	132,965	124,098	177,528	145,698	144,126	141,323	141,916	183,527
Ordinary Disability	46,165	55,236	60,460	50,974	49,919	66,673	64,530	73,072	68,366	73,320
Accidental Disability	740,278	864,646	830,910	775,462	801,897	822,111	764,000	770,725	822,671	820,844
Other	211,891	227,444	241,980	271,432	341,367	347,429	403,865	450,025	468,255	475,824
Total Payments for Year	\$3,388,936	\$3,343,156	\$3,434,732	\$3,515,072	\$3,696,107	\$3,868,829	\$4,000,154	\$4,175,735	\$4,670,265	\$5,852,999

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